

PARTNERSHIP INSURANCE – OWN LIFE IN TRUST

How is the arrangement taxed?

Taxation of Plan Benefits

Capital Gains Tax (CGT)

- CGT will **NOT** apply.
- The proceeds of the partnership insurance arrangement payable on death are not liable to CGT under current legislation.

Inheritance Tax (CAT)

- Inheritance Tax will **NOT** apply.
- On death the proceeds of the plan are paid to the trustee(s) of the plan for the benefit of the surviving partners who are party to the arrangement. Revenue have clarified that the proceeds of such a plan are exempt from Inheritance Tax in the hands of surviving partners, where they use the proceeds to purchase the deceased's share of the business.

Sale of the share in the partnership by the deceased's personal representatives

Capital Gains Tax (CGT)

- The proceeds from the sale of the share in the partnership **would be liable** to CGT in the hands of the personal representatives of the deceased. However a liability to tax would only arise on any increase in the value of the business from the date of death of the partner to the date of sale and, as such, is likely to be small. This should be set out in the legal agreement.

Inheritance Tax (CAT)

- The value received for the deceased partner's share in the business could give rise to an inheritance tax liability for the deceased's family. As they are selling the share in the business 'Business Relief' from CAT **will not** apply.